

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 ANKARA 001228

SIPDIS

SENSITIVE

STATE FOR E, EB/CBED, EUR/SE AND NEA/NGA  
TREASURY FOR OASIA - JLEICHTER AND MMILLS  
DEPT PLEASE PASS USTR FOR CNOVELLI/LERRION  
FAS FOR ITP/THORBURN  
USDOC FOR ITA/MAC/DDEFALCO  
DEPT PASS OPIC - BRIAN TREADWELL  
DEPT PASS EXIMBANK - RAY ELLIS

E.O. 12958: N/A

TAGS: [ECON](#) [PREL](#) [ETRD](#) [EINV](#) [ENRG](#) [BEXP](#) [KIPR](#) [TU](#) [IZ](#)

SUBJECT: Economic Partnership Commission: Update on  
Action Items and Suggested Points

Ref: A) Ankara 386 B) Errion/Marciel Email 1/22/04  
C) Ankara 45 and previous

Summary

-----

1. (SBU) MFA U/S Ziyal and U/S Larson agreed to discuss implementation of the Economic Partnership Commission Action Plan (ref c) by telephone at 10:30 EST on March 15. Embassy recommends that U/S Larson encourage Turkey to adhere to the economic reform program; press for resolution of U.S. business disputes; and insist on a unified Turkish position on whether to proceed with non-textile Qualifying Industrial Zone legislation. Embassy encourages USG agencies to agree to send an interagency team to consult with the GOT on trade issues, and to provide a list of areas in which Turkish law and regulation on intellectual property is inconsistent with TRIPS. End Summary.

Economic Reform

-----

2. (SBU) Turkey has taken positive steps since the EPC: completion of the sixth IMF review, with the seventh review underway; and signs of reengagement with the World Bank. However, a number of concerns remain and we will need to monitor Turkey's performance closely. Embassy does not see much value in going into detail on these issues with Ziyal, but recommends that U/S Larson stress the need for deeper and fuller implementation of the broad reform program.

Investment

-----

3. (SBU) The GOT sent a formal response to the report by the Advisory Committee on International Economic Policy (ACIEP). OPIC briefed Treasury Undersecretariat and MFA officials on OPIC-supported investment funds in January. There has been no change in the status of ratification of the Cape Town Convention on Commercial Aircraft Ownership Registration. Most importantly, Turkey has not resolved a single U.S. company dispute. Suggested points include:

--At the EPC, we agreed on the importance of resolving investment and other business disputes involving U.S. companies as key to improving Turkey's business image and attracting foreign direct investment.

--Strong protection of intellectual property, including data exclusivity protection for pharmaceutical test data, is not only a WTO TRIPS and EU Customs Union requirement, but also a key element in encouraging FDI and the development of high technology sectors.

--Turkey has not resolved any of the business issues facing U.S. companies which we raised at the EPC. Urge Ziyal to engage other Turkish agencies to fix these problems.

--Turkey should ratify the Cape Town Convention, which would enable state-owned Turkish Airlines to significantly cut its financing costs in acquiring Boeing aircraft.

#### Trade -----

14. (U) Eximbank: The U.S. Eximbank briefed Turkish Eximbank and officials from other Turkish agencies on the Trade Bank of Iraq Framework Agreement, and, as far as we know, no further USG action on this issue is necessary.

15. (SBU) QIZs: The USG and GOT have not come to closure on the parameters of a Turkey Qualifying Industrial Zone. Embassy transmitted ref A points on our requirement that any Turkey QIZ exclude textiles and apparel. MFA has said that it would accept a QIZ with these sectoral exclusions, but others in the GOT bureaucracy (especially the Foreign Trade Undersecretariat) and the Turkish private sector do not see any significant economic benefit under this arrangement. We understand that another cable instructing the Embassy to approach the Turks for a definitive answer to the QIZ proposal is forthcoming. Embassy recommends that U/S Larson reiterate the USG position on sectoral exclusions; request a unified GOT response to our QIZ offer; and request that the Turks provide a draft business plan so that we can show Congress how a non-textile QIZ might work.

16. (U) Experts Visit: We agreed to meet with the Turks to discuss a wide range of trade issues (IPR, non-tariff measures, WTO compliance, cooperation in the WTO Doha Round, textiles) by end-March 2004. We also owe the GOT a list of areas in which Turkish laws and regulations are inconsistent with the WTO TRIPS Agreement. Both actions take on added importance and urgency given the Special 301 review underway.

17. (SBU) USTR proposed consultations with the GOT on IPR at the March TRIPS Council meeting in Geneva, or by videoconference (ref B). Embassy continues to urge Washington agencies to send an interagency delegation to Ankara on all outstanding trade issues (and to use this forum to press on investment issues as well). Meeting in Ankara would ensure that key Turkish agencies (such as Health, Culture, Customs) are included in the discussions. More importantly, the GOT would interpret an Ankara visit as a signal that we take these issues seriously.

#### Energy -----

18. (U) Ambassador Mann visited Ankara in December to promote cooperation on both the Baku-Tbilisi-Ceyhan (BTC) pipeline and natural gas transit to European markets. Turkey's BOTAS and Greece's DEPA reached agreement on a gas interconnector pipeline to be completed in 2006. Discussion with Italy's Edison Gas about a pipeline from Greece to Italy is ongoing. BOTAS and gas companies from Austria, Hungary, Romania and Bulgaria established a company to build a gas pipeline network from Turkey to Austria, with a final decision expected by year-end.

#### Regional Cooperation -----

19. (U) In January, Commerce organized a series of conferences on Iraq reconstruction in Turkey, and helped organize a Turkish delegation for a regional conference in Amman. We continue to support Turkey-Iraq cross-border initiatives and trade. Afghanistan Coordinator Taylor will visit Ankara in March.

10. (U) Baghdad minimize considered.  
Edelman